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VIA DelaFile

October 19, 2018

Donna Nickerson,
Secretary, DE Public Service Commission
861 Silver Lake Boulevard
Cannon Building, Suite 100
Dover, DE 19904

Re: PSC Docket No. 17-0977 – Delmarva Power & Light Company's
Electric Rate Refund Plan

Dear Secretary Nickerson:

In compliance with PSC Order No. 9248, dated August 21, 2018, attached please find Delmarva Power & Light Company's Electric Rate Refund Plan for the above-captioned docket. Please note that the form of this Rate Refund Plan is consistent with prior rate refund plans submitted in other dockets.

Please feel free to call me at (302) 429-3786 or Pamela Long (302) 451-5292 if you have any questions regarding this matter.

Sincerely,



Todd L. Goodman

Attachment

cc: Service List in Docket No. 17-0977
Raj Barua

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF DELAWARE**

IN THE MATTER OF THE APPLICATION)
OF DELMARVA POWER & LIGHT COMPANY)
FOR AN INCREASE IN ELECTRIC BASE RATES) PSC DOCKET NO. 17-0977
AND MISCELLANEOUS TARIFF CHANGES)
(FILED August 17, 2017)

Delmarva Power & Light Company Rate Refund Plan

In compliance with the Delaware Public Service Commission Order No. 9248 in Docket No. 17-0977, Delmarva Power & Light Company (Delmarva or Company) submits its Electric Rate Refund Plan (Plan) as discussed below.

I. Background

On August 17, 2017, Delmarva filed an application with the Delaware Public Service Commission (Commission) seeking approval of (a) an increase in its electric base rates, and (b) miscellaneous tariff changes. In its application, Delmarva requested an increase in annual operating revenues of approximately \$24.4 Million¹ or a 4.5% increase over then current rates.

On August 22, 2017, the Commission issued Order No. 9108 which permitted Delmarva to implement interim rates of \$2,500,000 sixty (60) days following the filing of its application (October 16, 2017), as permitted by the provisions of 26 *Del. C.* §306 (c).

On October 18, 2017, Delmarva filed supplemental testimony with the Commission which updated 3 months of actuals and provided an update to the revenue requirement to \$31 Million.

In December 2017, The United States Congress passed, and the President signed into law, the Tax Cuts and Jobs Act of 2017 (“TCJA”). On February 9, 2018, Delmarva made a supplemental filing reflecting the rate reducing impact upon this Docket, which lowered Delmarva’s total rate increase request to \$12,603,795.

On March 13, 2018, the Commission issued Order No. 9195. This Order confirmed that Delmarva has the statutory right, pursuant to 26 Del. C. §306(a)(1), after the expiration of seven months from the filing of its rate increase to place into effect an interim increase, subject to refund, so long as said rates will not produce an increase in excess of 15% of the Company's annual gross operating intrastate operating revenues. This Order also required Delmarva to submit a refund bond, without surety. On March 15, 2018,

¹ The amount of the surety bond of \$5,800,000 includes the \$2,500,000 rates that went into effect on October 16, 2017 as well as the additional \$3.3 Million in rates that went into effect on March 17, 2018.

Delmarva submitted a rate refunding bond, without surety, in the amount of \$5,800.00.² On March 17, 2018, the seven months had elapsed, and Delmarva put a rate increase of approximately \$3.3 Million into effect.

On June 27, 2018, Delmarva, Commission Staff, the Division of the Public Advocate and the Delaware Energy Users Group (“DEUG”) entered in to a Settlement Agreement in this docket. On July 23, 2018, the Hearing Examiner issued his Findings and Recommendations whereby he recommended approval of the Settlement Agreement. On August 7, 2018, an updated version was submitted with formatting changes only. On August 21, 2018, the Commission voted to approve the Hearing Examiner’s Findings and Recommendations and the Settlement Agreement, pursuant to Order No. 9248.

In approving the Settlement Agreement, the Commission approved a net revenue requirement decrease of \$6.85 Million, comprised of an increase in base distribution revenue of \$9,412,457 Million, and an agreement to use a 6-year amortization period to flow back non-protected property-related EDIT (Excess Deferred Income Tax) which results in a sur-credit of \$10,408,411 and an agreement to use a 5-year amortization period to flow back non-protected, non-property related EDIT which results in an annual sur-credit of \$5,854,046. The difference between the decrease in the net revenue requirement of \$6.85 Million and the interim rates increase of \$5.8 Million is due to be refunded (plus interest) to customers. This Rate Refund Plan is filed in compliance with the provisions of Paragraph 7 of the Settlement Agreement and Ordering Paragraphs 1 and 4 of Commission Order No. 9248.

II. Applicability of the Refund

Any Delmarva electric customer who received service from March 17, 2018 through August 31, 2018 is entitled to a refund for the difference between the final ordered rates and the rates placed into effect on March 17, 2018. This includes customers who are active and those that have left the Company’s system. If a customer has left the Company’s system, it means that they are no longer a Delmarva customer.

The rates in the Settlement Agreement are time-driven and include complexity that did not occur previously as part of the rate refund process, such as the new rider with sur-credits and an increase in distribution rates with a net decrease in the revenue requirement. Because of this complexity, Delmarva developed a calculated net price to use in the refund comparison and further details are included in the Section IV of this plan. Customers will not see a difference from how refunds have been processed in the past.

III. Proposed Timing of the Refunds

The Company plans to process refunds in December 2018. There is a tentative schedule for the weekends of December 1, 2018 and December 8, 2018 and is subject to change.

² Delmarva revised its request to \$10.9 Million with the filing of its rebuttal testimony on May 11, 2018.

IV. Mechanics of the Rate Refund

The process begins with a request from the Regulatory Services team that identifies the time frame affected by the rate change, as well as the final approved rate factors that replace the original rates used during the actual billing process.

In the calculation of previous rate refunds, the Company's Billing System used a batch system that recalculates billed revenue using the final rate factors (September 1, 2018 rates) compared to those used in the actual bill calculation (March 17, 2018 rates). Since the EDIT credits were effective September 1, 2018 and have not been billed before, the refund comparison as used in the past will not process. To work around this issue, Delmarva has calculated a net price. This price is the net of distribution rates and the EDIT credits which would then allow the refund comparison to work as expected.

The table below is an illustration for how the refund process will work:

Residential Service Classification: Illustrative example			
	17-Mar rates	1-Sep rates	
Customer Charge	\$ 11.98	\$ 11.70	\$ 0.28 refund
Distribution rate	\$ 0.037207	\$ 0.038046	
Edit credit: 5 year	\$ -	\$ (0.001214)	
Edit credit: 6 year	\$ -	\$ (0.002159)	
Total \$/kwh (net)	\$ 0.037207	\$ 0.034673	

For the volumetric portion of customers' bills, the refund module will apply the net calculated rate of \$ 0.034673 to the consumption for each period (March 17 – Aug 31) and compare that to the original amount billed starting March 17.

The final approved rate factors, which are now a net price, are loaded in the rate refund tables within the production system effective with the March 17, 2018 date. These rates replace the rates that had been in effect during the dictated time period. Based on the request from the Regulatory team, the rate refund process is set up to select the accounts and bill periods that potentially require a refund. This process selects active and inactive accounts. Once the accounts are identified, the refund process recalculates the revenue based on the final approved rates for each account and bill period affected. The recalculated revenue is compared to the original billed revenue and the difference is the

refund adjustment. Reports are produced that list each account and adjustment by bill period. Selected accounts from the reports are reviewed to ensure that the recalculated revenue and the adjustment amounts are correct. Reports are generated to identify exceptions, which are reviewed and adjusted manually, if necessary.

Next, a file is created with each account and the accompanying refund adjustment. This file is used to calculate interest and post adjustments to the customer's account. Reports are produced from this process and selected accounts are reviewed to verify the accuracy of the interest calculated and that the adjustments are posted correctly. Adjustments are posted as separate lines for each bill period. Interest is also displayed as a separate line item by bill period.

After the refund adjustments are posted, revenue reports are produced with the adjusted revenue. Reports detailing this information are then provided to Revenue Accounting. The refund adjustment, where applicable, appears on the bill as a line item in the "Billing Summary" section of the bill. Accounts are reviewed in production and selected bills are verified.

Due to the volume of adjustments and the processing time involved, this rate refund will be processed over the weekends of December 1, 2018 and December 8, 2018. These dates are tentative and subject to change. Any refund issued to an inactive account will have an adjusted bill sent which will reflect the amount of the refund plus interest.

V. Interest Rate to be Applied

The rate refund interest rate to be applied in this instance is the prime rate of 4.96% pursuant to the provisions of 26 *Del. Admin. C. 1003*. Interest will be calculated based on the overpayment for the billing periods being refunded from March 17, 2018 through the date of the credit adjustment.

Interest will be calculated on each adjustment amount. The interest calculation is as follows:

Interest amount rounded = (elapsed days * (adjustment amount) * interest rate) / 365

Elapsed days = calendar day difference between refund date and period end date.

The refund adjustments will appear on the next regularly scheduled bill after the adjustment is posted. The adjustments and interest will be combined as one line item on the bill with the description: "One-time rate refund"

VI. Customer Communications

A general statement alerting customers about the Electric Rate Refund was included in the October 2018 bill insert. After the credits are posted, a message will appear on the bill when it is printed. Attached are the Call Center Frequently Asked Questions.

VII. Reporting Requirements (Summary of total refund dollars)

Sixty (60) days after the last refunds are posted, Delmarva will provide the Commission with a summary report of the refunds applied to customer accounts; interest paid will be reported separately.

VIII. Customer Care Credit and Collections Process

For customers with account arrearages, the credit adjustments will be applied toward the customer's arrearages.

**Delaware Electric Rate Refund
Communications Plan DRAFT
10/19/18**

Background:

On August 17, 2017, Delmarva Power filed for an electric distribution rate increase of \$24.4 million with the Delaware Public Service Commission (Commission). On October 16, 2017, Delmarva implemented a temporary electric distribution rate increase of \$2.5 million in accordance with Delaware law.

In December 2017, The United States Congress passed, and the President signed into law, the Tax Cuts and Jobs Act of 2017 (“TCJA”). On February 9, 2018, Delmarva made a supplemental filing reflecting the rate reducing impact upon this Docket, which lowered Delmarva’s total rate increase request to \$12,603,795.

Thereafter, on March 17, 2018, pursuant to Delaware law, Delmarva Power implemented a temporary electric distribution rate increase of \$3.3 million while it awaited a final decision from the PSC on the original rate increase request.

In August 21, 2018, the PSC approved a net revenue requirement decrease of \$6.85 Million. The difference between the decrease in the net revenue requirement of \$6.85 Million and the interim rates increase of \$5.8 Million is due to be refunded (plus interest) to customers.

Key Messages:

- The Tax Cuts and Jobs Act of 2017 resulted in a reduction in Delmarva Power’s original rate request of \$18.5 million.
- Because the Commission approved an amount less than the Company’s full request, customers will be issued a refund based on each customer’s use multiplied by the difference between the amount of the temporary increase and the final amount approved by the Commission. The customer refund, which by law includes interest to customers, is owed for the time period of March 2018 through August 2018.
- The typical residential customer who uses XX* of electric a month should expect to see a total rate refund of approximately \$XX* plus interest. This total rate refund will be issued to all customers in the form of a bill credit, beginning December 2018.
- The refund interest rate is the prime rate, which is 4.96 percent

A much smaller percentage of customers will receive their refund by check. These customers had active accounts between March 2018 and August 2018 but no longer have an active Delmarva Power electric account.

- Interest amounts will be calculated based on the overpayment of the billing periods being refunded, from March 17, 2018 to the date of when the credit is issued to the customer.
- The amount of the refund, in the form of a bill credit, will be shown as a line item on customers' bills.

SPECIAL NOTE TO CUSTOMER CARE:

Customers on budget billing will not see the refund amount as a line item on their bill. The refund amount will be deducted from their budget balance. The refund amount and the interest amount can be seen as separate line items.

Frequently Asked Questions:

1) Why am I getting a refund?

The customer refund, which includes interest, is owed from when Delmarva implemented the full amount of its temporary base rate increase request in March 2018. The Tax Cuts and Jobs Act of 2017 resulted in a reduction in Delmarva Power's original rate request of \$18.5 million. Because the Commission approved a base rate increase that was less than the Company's full request, customers are being issued a refund, which includes interest, in the form of a bill credit.

2) How did you determine the interest rate?

By law, the refund interest rate is the prime rate, which is 4.96 percent.

3) Is the refund the same for everyone?

No, your refund is determined by how many kWh of electric you used during those 5.5 months (March 17, 2018 through August 31, 2018) when you were paying a higher electric distribution rate.

4) How did you determine the refund amount?

The refund is the difference in the rate you were charged from March 2018 through August 2018, and the rate that the Commission approved, which took effect on September 1, 2018. We multiplied the difference in rates by the amount of electric you used for those 5.5 months to determine your refund amount. We then multiplied your refund amount by the prime interest rate to determine how much you were owed.

5) If I have an overdue balance, will this refund be applied to it?

Yes, a bill credit will be applied first to reduce any past due amounts.

Proposed Bill Message (196 characters w/spaces):

The Delaware Public Service Commission approved a settlement in Delmarva Power's electric delivery rate review. As a result, your current bill includes a one-time refund, with interest, reflecting the difference between interim rates billed from March 17, 2018 to August 31, 2018, and the approved final rates.